

Message Text

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ACTION EA-09

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PASS USDA/FAS, MCCONNEL, SUGAR & TROPICAL PRHDS, FCA

E.O. 11652: N/A

TAGS: EAGR, RP

SUBJECT: NEW SUGAR PRICES ESTABLISHED

REF: MANILA 17098

1. THE COMMITTEE HEADED BY SECRETARY OF FINANCE VIRATA WHICH WAS ESTABLISHED ON NOVEMBER 3 (REPORTED REFTTEL) TO DETERMINE THE QUOTE BEST PRICE FOR DOMESTIC AND EXPORT SUGAR END QUOTE FINALLY PROVIDED PRESIDENT MARCOS WITH ITS RECOMMENDATIONS OEFOR PRICING THE 1976-77 CROP SUGAR. THE PRICES APPROVED BY PRESIDENT MARCOS WERE CONSIDERED QUOTE THE MOST IDEAL IN ORDER TO MINIMIZE LOSSES DUE TO THE COLLAPSE OF PRICES IN THE WORLD MARKET END QUOTE.

2. PRICE CHANGES APPROVED WERE:

A. SUGAR FOR HOUSEHOLD USE WAS INCREASED FROM 5.9 U.S. CENTS PER POUND TO 7.3 CENTS PER POUND;

B. PRICE OF SUGAR FOR INDUSTRIAL USE WAS MAINTAINED AT 8.4 CENTS PER POUND;

C. THE COMPOSITE PRICE TO PRODUCERS WAS REDUCED FROM 10.6 CENTS PER POUND TO 7.8 CENTS. FOR 65 PERCENT OF THE RDOP DESIGNATED AS EXPORT SUGAR, PRODUCERS WILL RECEIVE 8.8 CENTS COMPARED
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WITH 12.2 CENTS LAST YEAR WHILE THAT DESIGNATED FOR DOMESTIC

USE WILL REMAIN UNCHANGED AT 7.9 CENTS PER POUND.

3. THE REPORT PREPARED BY THE COMMITTEE HEADED BY VIRATA NOTED THAT PHILEX EARNED PROFITS OF PESOS 591.6 MILLION DURING 1974 AND 1975 ON EXPORTS OF 1,455,000 METR PJ TONS, BUT DURING FIRST NINE MONTHS OF 1976 PHILEX INCURRED LOSSES OF PESOS 413.6 MILLION ON EXPORTS OF 1,139,000 TONS. PHILEX THUS HAS NO QUOTE ACCUMULATED PROFITS END QUOTE THAT CAN BE USED TO EASE THE EFFECTS OF THE PRESENT SITUATION.

4. IN ADDITION TO THE DECISION ON PRICES, THE PRESIDENT ALSO DIRECTED THAT FINANCING BE MADE AVAILABLE TO PLANTERS IN MARGINAL AREAS WHO DESIRE TO SWITCH TO OTHER CROPS AND THAT OTHER MORE FAVORABLE MARKETS FOR SUGAR BE EXPLORED. SPECIFICALLY THE PRESIDENT SUGGESTED THAT PERHAPS SUGAR COULD BE BARTERED FOR OIL WITH COUNTRIES OF THE MIDDLE EAST.

5. COMMENT. INTERESTINGLY, ALL MANILA PAPERS CARRIED SIMILAR HEADLINES ON MEETING, I.E., GOP RAISES PRICE OF SUGAR FOR HOUSEHOLD USE AND ALMOST AS OF SECONDARY IMPORTANCE REPORTED THAT THE COMPOSITE PRICE TO PRODUCERS WAS REDUCED. WHILE IT IS TOO SOON TO ASSESS THE IMPACT OF THE LOWER PRICE, THE FEW PRODUCERS CONTACTED BY AGATTACHE VOLUNTEERED THAT ACREAGE WOULD BE REDUCED, LESS FERTILIZER WOULD BE APPLIED, AND MORE CANE WOULD BE RATIONED WHICH WILL RESULT IN SIGNIFICANT REDUCTION IN 1977-78 CROP, WITH BEST GUESS AT THIS TIME ABOUT 25 PERCENT LOWER WHICH IS PROBABLY TOO HIGH. IN ADDITION, ALL ARTICLES REPORTED THAT THE DECISION ON PRICING WAS DETERMINED BY THE COMMITTEE AND WAS APPROVED BY THE PRESIDENT. THUS, THE COMMITTEE WILL BEAR BRUNT OF CRITICISM AND NOT THE PRESIDENT. IT IS ALSO POSSIBLE THAT PRODUCERS WILL ASK TO HAVE THE PRICE DECISION RECONSIDERED AND MIGHT RECOMMEND THAT, UNTIL CONDITIONS IMPROVE, THE EXPORT TAX BE WAIVED AND PASSED ON TO PRODUCERS.

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